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OFFICE OF REPORTS AND ESTIMATES
TRANSPORTATION DIVISION

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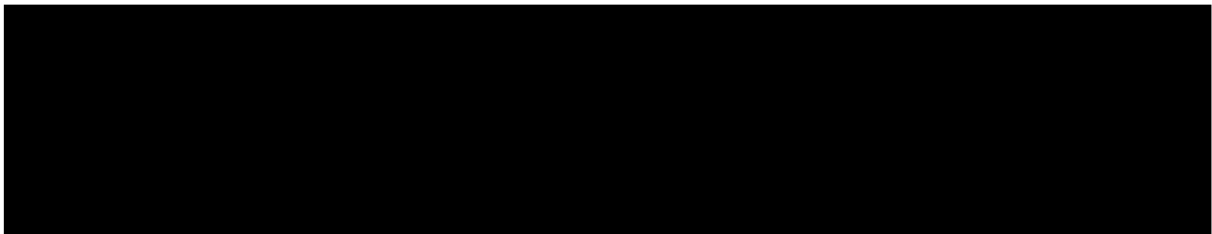
Weekly Intelligence Summary No. 85

SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

In view of continuing Greek and Italian resistance to Czechoslovak overtures for renewed air transit rights en route to Israel, the Czechoslovaks may be casting about for a partner already having such rights to act as a cover for revived Czechoslovak participation in Mediterranean operations. (Item No. 1, B)

General Stanovsky, Chief of Aviation, Czechoslovak Ministry of Transport, is reported to be in Tel Aviv for the purpose of negotiating an air agreement with Israel. It is not likely, however, that a formal bilateral agreement with Czechoslovakia will be made at this time, but other matters will probably be discussed, including Czechoslovakia's plans for promotion of export markets through commercial air services. (Item No. 2, C)

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A Lebanese decision to continue or remove commercial restrictions on US shipping calling at both Lebanese and Israeli ports will probably depend upon early consultations anticipated with Egypt, which has applied similar restrictions. Pending a final decision, however, the Lebanese Government has agreed to allow one US vessel, the LA GUARDIA, to enter Beirut en route to Haifa in November. (Item No. 4, C)

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SECTION II. CURRENT DEVELOPMENTS

CIVIL AVIATION

1. In view of continuing Greek and Italian resistance to Czechoslovak overtures for renewed air transit rights en route to Israel (See D/Tr Weekly No. 83), the Czechoslovaks may be casting about for a partner already having such rights to act as a cover for revived Czechoslovak participation in Mediterranean operations. Such a move would be consistent with Czechoslovakia's current drive to develop an export market outside of Western Europe.

It is rumored that formation of an airline to operate scheduled services between Lydda and Brussels via Prague is contemplated, and that in this connection the Czechoslovak airline CSA has approached the Belgian airline Sabena, which is Government-controlled. Although the Belgian Foreign Office denies this, the rumors may actually refer to a proposed operating arrangement between CSA or the new Czechoslovak air carrier SVIT [REDACTED] and the privately-owned [REDACTED]

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That a connection between these companies may even now exist is suggested by a report, from a source which may be given some credence, to the effect that certain officers of Cobeta have fraudulently obtained US export licenses for large quantities of aircraft parts and engines through misrepresentation of ultimate destinations and have then re-exported these items to Czechoslovakia in evasion of ECA controls. Such shipments may well explain the success of CSA and SVIT in avoiding the expected curtailment of air operations due to the deterioration of their equipment.

Under the suggested plan, an ostensibly wholly Belgian organization having landing rights at Lydda on a route through Rome and Athens could, through close collaboration with Czechoslovak air interests, defeat the US-UK sponsored Greek and Italian measures to exclude Czechoslovak commercial air operations from the Eastern Mediterranean. (Secret)

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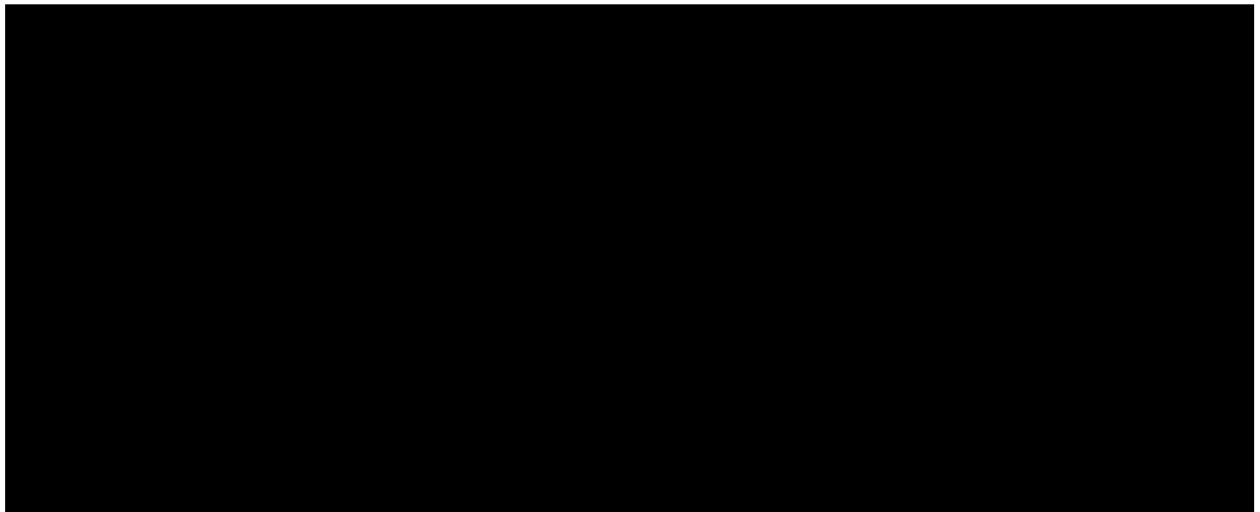
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2. General Stanovsky, Chief of Aviation, Czechoslovak Ministry of Transport, is reported to be in Tel Aviv for the purpose of negotiating an air agreement with Israel. It is not likely that a formal bilateral agreement with Czechoslovakia will be made at this time because: (1) Israel is on record as desiring to conclude its first air accord with the US and has, as yet, taken no steps to commence discussion to that end; and (2) Israel is not now prepared to initiate reciprocal flights to Prague.

The General may well have other matters to discuss, however, including Czechoslovakia's plans for promotion of export markets through commercial air services (see item No. 1). It is reliably reported in this connection that two special flights are under consideration by the Czechoslovak Government for the purpose of developing such markets in North or Central Africa, as well as in the Near, Middle and Far East. Under this plan, exhibits consisting of textiles, machinery, chemicals, leather, rubber, glass and wood products would be set up at each stop-over on the itinerary and appropriate propaganda would be distributed on Czechoslovakia and its products.

There is good reason to believe such tactics could result in the opening of new trade channels between Czechoslovakia and undeveloped areas seeking consumer goods of a nature easily transportable by air.
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SURFACE TRANSPORTATION

4. A Lebanese decision to continue or remove commercial restrictions on US shipping calling at both Lebanese and Israeli ports will probably depend upon early consultations anticipated with Egypt, which has applied similar restrictions (see D/Tr Weekly No. 61). Pending a final decision, however, the Lebanese Government has agreed to allow one US vessel, the LA GUARDIA, to enter Beirut en route to Haifa in November, although passengers destined for Israel will probably not be allowed ashore in Beirut. US Missions at both Cairo and Beirut, meanwhile, have been instructed to express the US view that the signature of Arab-Israeli armistices and the removal of arms embargoes have brought about a changed situation in the Near East and that all obstacles to normal navigation and trade should be eliminated.

Removal of Arab restrictions would substantially benefit US shipping operations in the strategic Near East area. Since the latter part of 1948, the leading US shipping line in the area, American Export, has voluntarily maintained inefficient and uneconomic separate services to Arab and Israeli ports to avoid Arab restrictions or reprisals. US operators are now hopeful that a more favorable Arab policy will permit the early resumption of normal services in the Eastern Mediterranean area. (Confidential)

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